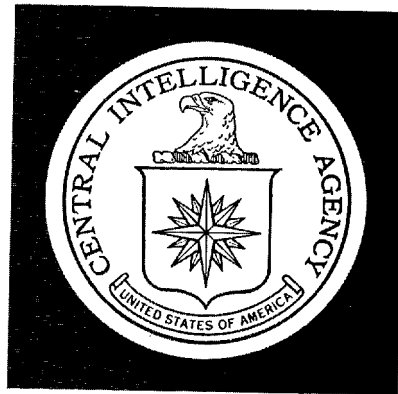


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Intelligence Memorandum

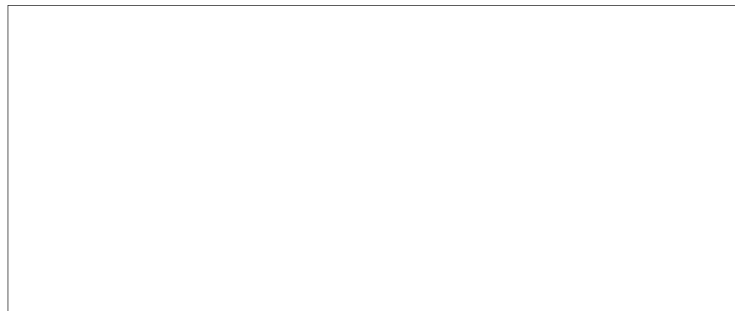
Free World Shipping to North Vietnam

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
September 1968

INTELLIGENCE MEMORANDUM

Free World Shipping to North VietnamSummary

Free World shipping to North Vietnam, which dropped steadily from early 1965 until the end of 1967, has increased significantly during 1968. During the first eight months of 1968, an average of 12 Free World ships a month called at North Vietnam, compared with six a month during 1967. Since the cessation of US airstrikes north of the 20th Parallel at the end of March 1968, Free World arrivals have averaged 14 a month and have accounted for 31 percent of total arrivals.

During the first eight months of 1968, the volume of cargoes carried by Free World ships to North Vietnam was more than twice that carried in the comparable period of 1967. From January to August 1968 these ships have carried 32 percent of North Vietnam's total seaborne imports. They carried about 23 percent of seaborne imports during all of 1967. Nearly 80 percent of the cargo delivered to North Vietnam by Free World ships in the first eight months of 1968 came from Communist China; most of the remainder came from North Korea.

Most of the calls by Free World ships during the last two years have been made by British-flag ships based in Hong Kong. Almost all of these ships are owned by Hong Kong firms which are dependent on or controlled by Communist China, and over which the British Government has only limited control. These ships have been engaged mostly in carrying cargoes from North China to North Vietnam. The Communist Chinese use time-chartered British-flag ships rather than their own ships on the route between North China and North Vietnam in order to avoid interference by the Nationalist Chinese in the vicinity of Formosa.

Note: This memorandum was produced solely by CIA.
It was prepared by the Office of Economic Research.

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1. The participation of Free World ships in North Vietnamese trade declined sharply from the beginning of the Rolling Thunder bombing program in February 1965 until the end of 1967. This decline was due to the effect of US bombing on the availability of export cargoes, skyrocketing insurance and wage costs, the reluctance of ship-owners and ship crews to risk exposure to attack, and US diplomatic efforts to discourage participation in trade with North Vietnam. At the same time, calls by Communist ships rose in order to handle increased imports from the USSR and Communist China. Free World ship arrivals began to rise in the first quarter of 1968 and accelerated after the bombing cutback at the end of March 1968. The relative participation of Free World and Communist ships is shown in the following tabulation:

Monthly Average						
	Total		Free World		Communist	
	Calls	Percent	Calls	Percent	Calls	Percent
1964	48	100	33	69	15	31
1965	44	100	21	48	23	52
1966	32	100	6	19	26	81
1967	32	100	6	19	26	81
1968						
Jan-Mar	39	100	10	26	29	74
Apr-Aug	45	100	14	31	31	69

2. Since 1964, one Free World country after another has withdrawn its ships from trade with North Vietnam. Ships flying the flags of 15 Free World countries, led by those of the United Kingdom, made 402 calls at North Vietnamese ports in 1964. In 1967, there were only 78 such calls, and only five Free World flags were represented. Eight Free World flags have appeared in the trade during January-August 1968. The leading Free World participants in the trade are shown in the following tabulation (and in greater detail in the table):

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	<u>Number of Calls</u>				
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>Jan-Aug 1968</u>
United Kingdom	177	136	50	67	77
Norway	43	29	0	0	0
Japan	74	37	0	0	1
Greece	35	28	7	0	0
Lebanon	20	9	0	1	2
Cyprus	0	3	12	5	10
Others	53	14	5	5	8
<i>Total</i>	<i>402</i>	<i>256</i>	<i>74</i>	<i>78</i>	<i>98</i>

3. Ships of five of the countries involved in the North Vietnamese trade in 1964 -- West Germany, Sweden, Denmark, Finland, and Indonesia -- have not participated in the trade since then. Ships of six other countries -- Japan, the Netherlands, Norway, Panama, France,* and Liberia -- withdrew during 1965 and did not call in either 1966 or 1967. British-flag ships continued to make the most calls, but their number dropped because of the withdrawal during 1965 of all British-flag ships under the effective control of the British government. Most of these ships were based in the United Kingdom. Japanese ships were withdrawn from the trade after March 1965 because of the reluctance of the Japanese seamen's union to expose its members to possible US bombing,** and Norwegian ships withdrew after November because of US diplomatic pressure. Cypriot and Maltese ships entered the trade for the first time in 1965 and continued to participate on a small scale in 1966, 1967, and 1968.

4. By 1966 the only Free World countries whose flags were still appearing in the North Vietnamese

* A French ship made a noncommercial call at Haiphong in 1966 to pick up bodies of French soldiers killed in the Indo-China war.

** A Japanese ship arrived in ballast to load coal in May 1968. The company that owned this ship reacted quickly to the bombing setback in the hope that a resumption of full-scale Japanese shipping to North Vietnam would ensue. The Japanese government, however, has so far prevented any further calls by Japanese ships.

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trade were the United Kingdom, Greece, Italy, Cyprus, and Malta. Greek ships withdrew from the trade after June 1966. A Lebanese ship called in December 1967 for the first time since June 1965. During 1968, ships flying the flags of Singapore and the Somali Republic appeared for the first time in North Vietnamese trade. Both flags were used by owners in other countries as flags of convenience. There had been three calls by Singapore-flag ships and two by Somali ship by the end of August. The governments of both of these countries are taking steps to get ships flying their flags out of the trade.

5. The British-flag ships remaining in the trade are based in Hong Kong and owned by Hong Kong firms over which the British government has only limited control. Some of these firms are openly owned or controlled by Communist China; others are firms owned by Hong Kong Chinese or Englishmen, which depend on China and other Communist countries for much of their business. Most of the Hong Kong-owned British-flag ships are chartered to Communist China or North Vietnam and are engaged almost exclusively in trade between North China and North Vietnam. The Chinese use Free World ships to carry goods -- principally foodstuffs and petroleum -- from North China to North Vietnam because these ships can sail around Formosa without interference from the Chinese Nationalists.

6. As the number of Free World ships in North Vietnamese trade has declined, their function also has changed. In 1964 and 1965, they carried five times as many exports as imports. In 1967, they carried almost four times as many imports as exports, and in January-August 1968 they carried six times as many imports as exports. The volume of imports carried by Free World ships, which remained relatively stable through 1967, was more than 100 percent higher in the first eight months of 1968 than during the same period in 1967. The volume of exports carried by Free World ships in 1967, on the other hand, was less than one-tenth of the 1964 level. Exports on Free World ships thus far in 1968 have been slightly higher than during the same period in 1967.

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North Vietnam: Free World Ship Arrivals, by Flag
1964-67 and January-August 1968

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>January-August</u> <u>1968</u>
<i>Total</i>	402	256	74	78	98
United Kingdom	177	136	50	67	77
Japan	74	37	..	..	1
Norway	43	29	..	..	..
Greece	35	28	7	..	..
Lebanon	20	9	..	1	2
Italy	11	1	1	2	1
Panama	12	1	..	..	..
Netherlands	8	5	..	..	..
West Germany	8	..	..	..	..
Liberia	7	3	..	..	..
Sweden	3	..	..	..	..
Denmark	1	..	..	..	..
Finland	1	..	..	..	..
France	1	2	..	..	..
Indonesia	1	..	..	..	..
Cyprus	..	3	..	..	..
Malta	..	2	12	5	10
Somalia	..	..	4	3	1
Singapore	..	..	..	..	2
Unknown	..	..	..	..	3
					1 a/

a. This vessel, the Yvonne, arrived at North Vietnam in April illegally flying the Cypriot flag.

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